

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6196**

**BILL NUMBER:** HB 1005

**NOTE PREPARED:** Feb 16, 2015

**BILL AMENDED:**

**SUBJECT:** Tax Credit for Teachers' Classroom Supplies.

**FIRST AUTHOR:** Rep. Smaltz

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that an individual employed as a teacher is entitled to a credit against the individual's adjusted gross income (AGI) tax liability for amounts expended on classroom supplies up to a maximum of \$200 per taxable year.

**Effective Date:** January 1, 2015 (retroactive).

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR would incur additional administrative costs in implementing the tax credit established by the bill. The additional costs would be within the DOR's existing resources.

**Explanation of State Revenues:** This bill establishes a maximum \$200 tax credit against an individual's AGI tax liability for teacher classroom expenses. The tax credit is effective beginning in tax year 2015, and the revenue impact will likely begin in FY 2016. The provision may decrease revenue into the General Fund by \$12.1 M to \$13.1 M per taxable year.

The tax credit cannot exceed \$200, and any unused tax credits may not be carried forward by taxpayers to a succeeding taxable year, carried back to a preceding taxable year, or refunded. As a result, the actual revenue loss may be less than estimated to the extent that taxpayers spend less than \$200 on classroom expenses or are unable to exhaust credits in a single year.

In 2012, 65,620 teachers spent an average of \$250 each on classroom supplies. In 2011, 60,448 teachers claimed the primary/secondary school teacher expense deduction. The average deduction amount was approximately \$950, indicating that teachers typically spend well over the maximum \$200 stipulated by this

bill. The maximum tax credit of \$200 per taxable year may result in a total revenue loss of \$12.1 M to \$13.1 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** *IRS Statistics of Income; Indiana Handbook of Taxes, Revenues, and Appropriations.*

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